GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:372
ANSWERED ON:17.08.2001
SPECIAL ECONOMIC ZONES
T.T.V. DHINAKARAN

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

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(a) whether the Government`s scheme to set up Special Economic Zone has taken off; (

(b) if so, the details of Special Economic Zones that have been set up so far; (

(c) whether fiscal and other incentives coupled with `State of the Art` infrastructure facilities have been provided to attract FDI in these zones;

(d) the extent to which these zones are different from the export processing zones; (

(e) whether there has been a palpable impact on foreign investment due to such Special Economic Zones; and (

(f) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI DIGVIJAY SINGH)

(a) to (f) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO. 372 FOR ANSWER ON 17.8.2001 REDARDING SPECIAL ECONOMIC ZONES

(a) & (b) : In the Export Import Policy (1997-2002), announced in March, 2000, the Government has introduced a policy for setting up of Special Economic Zones (SEZs) in the country. As per the policy, the Central Government is not to set up any new SEZsThe scheme, however, envisages setting up of SEZ in the public, private, joint sectors or by the State Governments. Further, existing Export Processing Zones could also be converted into Special Economic Zones.

In accordance with the above policy, four Export Processing Zones located at Santa Cruz (Maharashtra), Cochin (Kerala), Kandla and Surat (Gujarat) have been converted into Special Economic Zones on 1.11.2000. In addition in principle approvals have been granted for setting up of Special Economic Zones atPositra (Gujarat) in the Joint sector and by the State Governments at Dronagiri (Maharashtra), Nanguneri (Tamil Nadu), Kulpi (West Bengal), Paradeep and Gopalpur (Orissa), Bhadohi, Kanpur and Greater Noida (U.P.), Kakinada (Andhra Pradesh), Indore (Madhya Pradesh) and Hassan (Karnataka) on the basis of proposals received from them. The Zones are at various stages of implementation.

(c) The facilities and incentives offered for development of state of the art infrastructure in SEZs include exemption from excise duty and concessional custom duty for goods required for development of SEZ and entitlements under section 80-IA of the Income Tax Act. Facilities and incentives offered to SEZ units are exemption from customs/excise duty on import/domestic procurement of capital goods, raw materials, consumables etc., reimbursement of Central Sales Tax, 100% Foreign direct Investment in manufacturing sector through automatic route, facility to retain 100% foreign exchange receipts in EEFC account, and simpler procedures.

(d) : Major difference between EPZs and SEZs include
(i) no minimum export performance or net foreign exchange earning requirement unlike in the case of EPZs,
(ii) domestic sales on payment of full duty, against 50% for EPZ units
(iii) retention of 100% export earnings in EEFC account; for EPZs it is upto 70%. (iv) Simplified Custom and Central Excise procedure.

(e) and (f): It is too early to assess the impact on foreign investment due to SEZ scheme as the new integrated SEZs are atthe initial stages of implementation.